A USDA BRIEFING BOOKLET

FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996

A Description of U.S. Farm Commodity Programs Under the 1996 Farm Bill

Includes Description of Contract Payment, Price Support Loan, Planting Flexibility, Payment Limitation and Conservation Provisions

April, 1996

PREFACE

This briefing booklet is aimed at the many kinds of people -- not only farmers but also Members of Congress, congressional staff, lobbyists, employees of USDA, agricultural lenders, agribusiness and interested public -- who want to understand U.S. farm policy in the light of the recent legislative changes made by the 104th U.S. Congress. It updates an earlier booklet on the 1990 Farm Bill entitled, "The 1990 Farm Act and the 1990 Budget Reconciliation Act."

This booklet is not meant to provide full and comprehensive coverage of the new farm policy but rather to give an introduction to what the changes are and how the farm programs will work for crops under the new legislation. Furthermore, the Department has yet to implement the new legislation, which gives the Secretary of Agriculture a number of discretionary authorities. When this booklet was written decisions regarding many of these discretionary authorities had not been decided. Therefore, the reader should consider consulting later USDA publications or Farm Service Agency (FSA) program specialists for additional details.

BOOKLET EXAMPLES

Examples used in this briefing booklet are based on USDA supply, demand and price projections as of March 12, 1996. The numerical examples are intended to give the reader an indication of how the programs will operate under the new legislation. The Secretary will in the near future announce the final features of the 1996 Farm Bill, which could vary from the examples presented in this booklet.

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1996 Farm Bill Contains 9 Titles of Which Only 2 Are Addressed in this Briefing Book

TITLES OF THE 1996 FARM BILL

I. Agricultural Market Transition Act
II. Agricultural Trade
III. Conservation
IV. Nutrition Assistance
V. Agricultural Promotion
VI. Credit
VII. Rural Development
VIII. Research, Extension and Education
IX. Miscellaneous

This booklet discusses the major changes in legislation for wheat, feed grains, cotton, rice and conservation, which are contained in Titles I and III of the 1996 Farm Bill. Title I, the Agricultural Market Transition Act, also addresses price support for milk, peanuts and sugar and establishes a commission to examine the appropriate future relationship of the Federal government with production agriculture. This commission is to provide an initial report to the President and the Congress no later than June 1, 1998, and a final report no later than January 1, 2001.

New Farm Policy in 1996 Replaces the Expired 1990 Farm Bill and Overrides Permanent Statutes

THE 1996 FARM BILL

Federal Agriculture Improvement and Reform Act

Commonly referred to as the "1996 Farm Bill" this legislation amends permanent legislation, the Agricultural Act of 1949, the Commodity Credit Corporation (CCC) Charter Act and the Agricultural Adjustment Act of 1938, which were previously amended by the 1990 Farm Bill. The 1996 Farm Bill amends permanent legislation through 2002, establishing the program provisions for the 1996 through 2002 crops.

Some of the major changes in the wheat, feedgrain, rice, cotton and conservation programs made by the 1996 Farm Bill include:

--Direct payments that are independent of market prices to producers of wheat, feed grains, upland cotton and rice.

--Elimination of annual acreage reduction and paid land diversion programs, the 0/85,92 provision for feed grains and wheat and the 50/85,92 provision for rice and upland cotton.

--Planting flexibility expanded to allow producers to plant any combination of crops, except fruits and vegetables, with no reduction in payments.

--Elimination of the minimum planting requirement for rice and upland cotton.

--Price support loan rates for wheat, feed grains, cotton and rice capped at 1995-crop levels.

--Suspension of the Farmer-owned Reserve (FOR).

--Reduction in the $50,000 payment limit to $40,000.

--Consolidation of existing conservation cost-share programs into a single program for crop and livestock producers.

Under the 1996 Farm Bill, Producers Must Sign a 7-Year Contract to Receive Payments and Price Support Loans on Eligible Land

ELIGIBILITY REQUIREMENTS

To be eligible for 7-year contract payments and market assistance loans for wheat, feed grains, rice and upland cotton, a portion of the land must have been:

--enrolled in the annual programs for wheat, feed grains, rice or upland cotton in at least 1 of the 1991 through 1995 crops or considered planted (including certified acres), or

--subject to a Conservation Reserve Program (CRP) contract that expired or was voluntarily terminated on or after January 1, 1995, or is released by the Secretary between January 1, 1995, and August 1, 1996.

COMPLIANCE REQUIREMENTS

To receive 7-year contract payments and price support loans for wheat, feed grains, rice and upland cotton on eligible cropland a producer must agree to:

--comply with the conservation compliance requirements for the farm

--wetland provisions

--keep contract acres in agricultural or related uses

--abide with restrictions on plantings of fruits and vegetables

--purchase catastrophic crop insurance unless the producer agrees to forgo receiving disaster payments

1996 Farm Bill Specifies Who May Enter Into a Contract to Receive Payments

ELIGIBLE OWNERS AND PRODUCERS

The following owners and producers are eligible to enter into a 7-year contract to receive payments under the 1996 Farm Bill:

--an owner of eligible cropland who assumes all or a part of the risk of producing a crop.

--a producer (other than an owner) on eligible cropland with a share-rent lease, regardless of the length of the lease, if the owner also enters into the same contract.

--a producer (other than an owner) on eligible cropland who cash rents under a lease that expires on or after September 30, 2002, in which case the owner is not required to enter into the contract.

--a producer (other than an owner) on eligible cropland who cash rents under a lease expiring before September 30, 2002, in which case the owner may also enter into the same contract and the consent of the owner is required if less than 100 percent of the eligible cropland is enrolled in the contract.

--an owner of eligible cropland who cash rents the cropland and whose lease expires before September 30, 2002, if the tenant declines to enter into a contract. Contract payments cannot begin until the lease expires.

An owner or producer may enroll all or a portion of the eligible cropland on the farm and may subsequently reduce the amount of acreage covered by the contract. An owner or operator must either obtain catastrophic crop insurance for each crop of economic significance or provide a written waiver of eligibility for emergency crop loss assistance to be eligible for contract payments, loans and several other USDA programs.

Sign-up for 7-Year Contract Payments Begins May 20 and Extends through July 12, 1996, and Payments Begin Within 30 Days after Contract is Approved

TIMETABLE FOR CONTRACTS

The 1996 Farm Bill requires, to the extent practicable, the Department to begin entering into contracts with producers not later than 45 days after the 1996 Farm Bill's enactment, April 4, 1996. Sign-up will be from May 20 through July 12, 1996. The Department cannot enter into a contract after August 1, 1996, except for expiring CRP contracts.

TIMING OF CONTRACT PAYMENTS

1996 Crop Payment:

--Initial payment: 50% of payment not later than 30 days after contract is approved.

--Final payment: Not later than September 30, 1996.

1997-2002 Crop Payments:

--Initial payment: At option of the producer, 50% on either December 15th or January 15th. A producer may choose between these two dates each year by providing advance notice.

--Final payment: Not later than September 30th.

For example, the timing of 1997 payments would be:

Initial payment: December 15, 1996, or January 15, 1997.

Final payment: Not later than September 30, 1997.

Prior to sign-up for 7-year contracts, producers must be given an estimate of the minimum anticipated contract payment rate for 1996. During calendar year 1996, a participating producer would be eligible to receive 1996-crop payments and an advance for 1997.

Crop Payments Over the Next Seven Years will be Determined by 1996-Crop Bases and 1995-Crop Program Yields

PRODUCTION ELIGIBLE FOR CONTRACT PAYMENTS

CORN EXAMPLE

1996-crop base acres (Contract acres)	100 acres
Contract payment acres	85 acres
1995-crop program yield	105 bushels/acre
Payment production	8,925 bushels

Under the 1996 Farm Bill, program participants will receive guaranteed payments over the next seven years. Contract acres equal the 1996 crop acreage bases on the farm, or the crop bases on the farm that would have been in effect had the 1990 Farm Bill been continued. Participating producers are eligible to receive payments on 85 percent of contract acres. The program payment yield is the farm program payment yield established for the 1995 crop adjusted to account for any additional yield payments made under the 1990 Farm Bill. Contract acres and payment production can be adjusted for CRP contracts that have either expired or been terminated, but otherwise would not change over the next seven years unless the producer voluntarily reduces the contract acreage.

Acreage Eligible for Payments Can be Adjusted for Expiring or Terminated CRP Contracts

PRODUCTION ELIGIBLE FOR CONTRACT PAYMENTS

CORN EXAMPLE

1996-crop base acres	100 acres
Base acres on terminated CRP contracts	20 acres
Total base (contract) acres	120 acres
Contract payment acres	102 acres
1995-crop program yield	105 bushels/acre
Payment production	10,710 bushels

The 1996 Farm Bill allows certain CRP contracts to be terminated early. Upon CRP contract termination or expiration, contract acres are increased to reflect the amount of base acres enrolled in the CRP. Producers seeking to make CRP acreage eligible for 1996 contract payments must file a request to terminate by May 31 in order for the CRP contract to terminate before the August 1, 1996, deadline for entering into 7-year contracts. Producers terminating CRP contracts in 1996 are eligible to receive prorated rental payments <u>and</u> contract payments on base acres enrolled in the CRP. After 1996, producers who terminate a CRP contract can elect to receive either prorated CRP rental payments <u>or</u> contract payments.

1996 Farm Bill Specifies Level of Payments over Next 7 Years and Allocation by Crop

CONTRACT PAYMENTS BY FISCAL YEAR
(million $)

1996	1997	1998	1999	2000	2001	2002	Total
5,570	5,385	5,800	5,603	5,130	4,130	4,008	35,626

ALLOCATION OF PAYMENTS BY CROP

Crop	Percent
Corn	46.22
Grain sorghum	5.11
Barley	2.16
Oats	.15
Wheat	26.26
Upland cotton	11.63
Rice	8.47
Total	100.00

The amounts going to each crop in each year are determined by multiplying the total monies available each year by the percentage allocation for each crop. These dollar values for each crop must be increased by the value of repayments of 1995-crop advance deficiency payments and, except for rice, reduced by deficiency payments of prior crops made in 1996. In addition, rice contract payments are increased by $8.5 million per year beginning in 1997. These payments are to be made to producers who sign 7-year contracts regardless of the level of market prices.

1996 Farm Bill Provides for Over $36 Billion in Payments to Wheat, Feedgrain, Upland Cotton and Rice Producers

CONTRACT PAYMENTS BY FISCAL YEAR
(million $)

	1996 1/	1997	1998	1999	2000	2001	2002
Corn	1,789	2,489	2,681	2,590	2,371	1,909	1,852
Sorghum	213	275	296	286	262	211	205
Barley	120	116	125	121	111	89	87
Oats	8	8	9	8	8	6	6
Wheat	1,463	1,414	1,523	1,471	1,347	1,085	1,053
Upland Cotton	658	626	675	652	597	480	466
Rice	472	465	500	483	443	358	348
Total	4,723	5,393	5,809	5,611	5,139	4,138	4,017

1/Except for rice, adjusted for prior-year crop payments made in FY 1996, which reduces FY 1996 corn and sorghum payments by $785 and $72 million, respectively.

The above amounts for all crops must be increased by 1995-crop repayments. 1995-crop repayments are estimated to be as follows:

Corn	$933 mil.
Sorghum	78 mil.
Barley	39 mil.
Oats	2 mil
Wheat	558 mil.
Upland Cotton	109 mil.

Advance 1995-crop deficiency payments of $0.20 for corn; $0.195 for sorghum; $0.20 for barley; $0.05 for oats; $0.35 for wheat and $0.0185 for upland cotton will have to be repaid. A producer's contract payments must be immediately reduced by the amount of any 1995-crop advance payments owed.

1996 Farm Bill Provides for Somewhat Less Payments than Producers Received Over the Previous 7 Years

CONTRACT PAYMENTS ADJUSTED FOR 1995-CROP REPAYMENTS
(million $)

	1996	1997	1998	1999	2000	2001	2002	Total
Corn	2,722	2,489	2,681	2,590	2,371	1,909	1,852	16,614
Sorghum	291	275	296	286	262	211	205	1,826
Barley	159	116	125	121	111	89	87	808
Oats	10	8	9	8	8	6	6	55
Wheat	2,021	1,414	1,523	1,471	1,347	1,085	1,053	9,914
Upland Cotton	767	626	675	652	597	480	466	4,263
Rice	472	465	500	483	443	358	348	3,069
Total	6,442	5,393	5,809	5,611	5,139	4,138	4,017	36,549

For all crops, 1995-crop net repayments are added to FY 1996 contract payments. Payment amounts do not include any adjustment for payment limits, which the Congressional Budget Office (CBO) projected would lower payments by $364 million during FY 1996-2002.

PAYMENTS FOR THE PREVIOUS 7 FISCAL YEARS
(million $)

	1989	1990	1991	1992	1993	1994	1995	Total
Corn	3,117	2,281	2,241	2,081	4,289	1,186	1,895	17,090
Sorghum	337	318	231	180	384	145	160	1,755
Barley	43	(66)	72	184	188	202	142	765
Oats	1	(5)	12	31	16	5	19	79
Wheat	619	723	2,722	1,785	1,826	1,691	988	10,354
Upland Cotton	1,067	452	401	738	1,221	817	25	4,721
Rice	614	475	543	492	669	336	783	3,912
Total	5,798	4,178	6,224	5,491	8,593	4,381	4,012	38,677

Payment Rates Will Depend on How Much Acreage is Enrolled in the Program Not on the Level of Market Prices

ESTIMATING PAYMENT RATES

—**Under the 1990 Farm Bill**, the payment rate for each commodity equaled the difference between the announced target price and the market price for the commodity. For example, the deficiency payment rates for wheat for the 1994 and 1995 crops were as follows:

	1994	1995
Target Price	$4.00	$4.00
Market Reference Price	3.39	4.45
Deficiency Payment Rate	.61	.00

—**Under the 1996 Farm Bill**, the payment rate is no longer linked to the market price for the commodity. Instead, a payment rate is calculated as follows:

$$\frac{\text{Payments allocated to a commodity in a given year}}{\text{Sum of all participants' payment production}}$$

Example: 1996 Wheat

Payments to be allocated:	$2,021	mil.
Estimated Payment Production	2,121	mil. bu.
Estimated Payment Rate	$0.95	per bushel

Payment production is estimated as follows:
78.0 million base acres x .85 x 93% participation x 34.4 program yield

Actual payment rates for 1996 will not be known until after sign-up. In succeeding years, payment rates will also remain somewhat uncertain because some producers may elect either to drop out of the program entirely or withdraw some acreage, possibly enrolling the acreage in the CRP, or some acreage that had previously been enrolled in the CRP may become eligible for contract payments. Payment rates will also vary annually because the total amount of payments available for each commodity changes from year-to-year, gradually declining after FY 1998.

Estimated Minimum Payment Rates Under the 1996 Farm Bill

ESTIMATED MINIMUM PAYMENT RATES

	1996	1996-2002 Avg.
Corn ($/bu.)	0.24-0.37	0.32
Sorghum ($/bu.)	0.31-0.43	0.37
Barley ($/bu.)	0.32	0.23
Oats ($/bu.)	0.03	0.03
Wheat ($/bu.)	0.87	0.60
Upland Cotton (cts./lb.)	9.06	7.14
Rice ($/cwt.)	2.78	2.58

The lower rates for corn and sorghum in 1996 assume no repayment of 1995-crop advance payments until 1997.

AN EXAMPLE FOR 1996-CROP WHEAT

	No Repayment of 1995-crop Advance	With Repayment of 1995-crop Advance
Contract Acres	100	100
Contract Payment Acres	85	85
Program Yield	34	34
Payment Production	2,890	2,890
Estimated Payment Rate	.87	.87
Estimated Payments	$2,514	$2,514
1995-Crop Advance	--	.35
1995 Advance Payments	--	-$1,012
1996 Net Payments	$2,514	$1,502

Payment rates are inversely related to the number of acres enrolled --the higher the enrollment, the lower the payment rate. The minimum estimated payment rates assume 100 percent participation and some reduction in CRP acreage as some producers choose to terminate contracts on nonenvironmentally sensitive lands early. If participation turns out to be 95 percent, the payment rate for a crop would increase by the ratio of 100 to 95, or 5.3 percent.

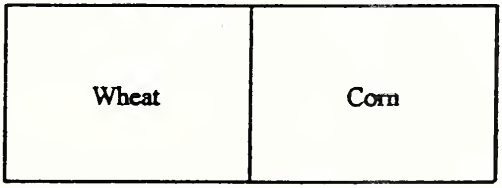
Producers Can Plant Alternative Crops and Continue to Receive Contract Payments

EXAMPLES OF PLANTING FLEXIBILITY

Example 1. Wheat acres planted to wheat and corn acres planted to corn.

Wheat Acreage Base, 100 acres | **Corn Acreage Base 100 acres**

Payment acres for wheat, 85

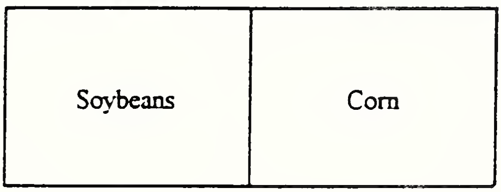


Payment acres for corn, 85

Example 2. Wheat acres planted to soybeans.

Wheat Acreage Base, 100 acres | **Corn Acreage Base 100 acres**

Payment acres for wheat, 85

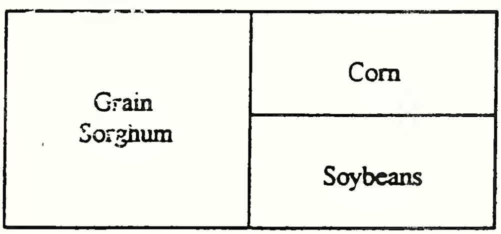


Payment acres for corn, 85

Example 3. Wheat acres planted to grain sorghum and one-half of corn to soybeans.

Wheat Acreage Base, 100 acres | **Corn Acreage Base 100 acres**

Payment acres for wheat, 85



Payment acres for corn, 85

Planting Flexibility Alternatives Continued

EXAMPLES OF PLANTING FLEXIBILITY

Example 4. Haying and grazing of wheat acres.

	Wheat Acreage Base, 100 acres	Corn Acreage Base 100 acres	
Payment acres for wheat, 85	Haying and grazing	Corn	Payment acres for corn, 85

Example 5. Wheat and corn acres placed in conserving uses.

	Wheat Acreage Base, 100 acres	Corn Acreage Base 100 acres	
Payment acres for wheat, 85	Conserving Uses	Conserving Uses	Payment acres for corn, 85

Any commodity may be planted on contract acres except fruits and vegetables. There are four exceptions to this prohibition. First, dry peas, lentils and mung beans may be planted on contract acres without loss of payments. Second, in regions where there is a history of double-cropping fruits and vegetables with a contract commodity, any producer may double-crop fruits and vegetables without loss of payments. Third, farms with a history of planting fruits and vegetables may plant fruits or vegetables on contract acres, with an acre-for-acre loss of payments. Finally, producers with a history of planting a specific fruit or vegetable may continue to plant that fruit or vegetable on any farm's contract acres, not to exceed the producer's history, with an acre-for-acre loss of payments. There is no minimum planting requirement for rice and upland cotton, and there are no planting restrictions on noncontract acres so long as the producer follows the farm's conservation plan and does not violate wetland provisions.

1996 Farm Legislation Sets Basic Loan Rates for Wheat and Corn at 85 Percent of Past Market Prices, but no Higher Than $2.58 for Wheat and $1.89 for Corn

CALCULATING BASIC LOAN RATES FOR 1996

Crop year	Wheat: Annual average price received by farmers	Wheat: Exclude high & low years	Corn: Annual average price received by farmers	Corn: Exclude high & low years
	dollars/bushel			
91/92	3.00		2.37	2.37
92/93	3.24	3.24	2.07	
93/94	3.26	3.26	2.50	2.50
94/95	3.45	3.45	2.26	2.26
95/96 projected	4.45		3.15	
5-year moving average (MA) excluding high and low years		3.32		2.38
85% of 1996 MA		2.82		2.02
Maximum Permitted Level		2.58		1.89
Basic Loan Rate (projected)		**2.58**		**1.89**

The Basic Loan Rates for wheat and corn cannot exceed the rates announced for the 1995-crops, $2.58 for wheat and $1.89 for corn. The Basic Loan Rates for wheat and corn may be adjusted every marketing year on the basis of the crop's stocks-to-use ratio. Loan rates for grain sorghum, barley and oats are to be set in relation to corn. The loan period may not exceed 9 months for wheat and feed grains. The 1996 Farm Bill also sets CCC interest rates on commodity loans percentage point above the current formula level.

Basic Loan Rates for Wheat and Corn may be Reduced by up to 10 Percent Depending on the Projected Stocks-to-Use Ratio

LOAN RATE STOCKS-TO-USE ADJUSTMENT FOR 1996

	Wheat		Corn	
	---dollars/bushel---			
Basic Loan Rate (projected)		**2.58**		**1.89**
Projected stocks-to-use ratio for 1996	**17%**		**8%**	
Discretionary adjustment based on projected stocks-to-use ratio	Stocks-to-use ratio		Stocks-to-use ratio	
Adjust down by not more than 10%, if	30% or more	na	25% or more	na
Adjust down by not more than 5%, if	15% to 30%	2.45	12.5% to 25%	na
No adjustment permitted, if	less than 15%	na	less than 12.5%	1.89
Minimum Loan Rate Permitted (based on stocks-to-use ratio projected above)		**2.45**		**1.89**

Only producers who sign 7-year contracts are eligible for price support loans for wheat, feed grains, upland cotton and rice. All production of these crops, oilseeds and ELS cotton on participating farms are eligible for loan. The 1990 Farm Bill gave the Secretary the authority to reduce loan rates by up to an additional 10 percent for the purpose of maintaining competitiveness. The competitiveness provision was not included in the 1996 Farm Bill and the Farmer-owned Reserve (FOR) for wheat and feed grains was not extended.

1996 Farm Legislation Changes the Method of Determining the Loan Rates for Soybeans and Minor Oilseeds

LOAN RATES FOR OILSEEDS FOR 1996

Crop year	Soybeans: Annual average price received by farmers	Soybeans: Exclude high & low years
	dollars/bushel	
91/92	5.58	5.58
92/93	5.56	5.56
93/94	6.40	6.40
94/95	5.48	
95/96 projected	6.80	
5-year moving average (MA) excluding high and low years		5.85
85% of 1996 MA		4.97
Minimum Permitted Level		4.92
Maximum Permitted Level		5.26
Loan Rate (projected)		**4.97**

Loan rates for sunflowerseed, canola, rapeseed, flaxseed, safflower and mustard seed at 85 percent of the preceding 5-year average price of sunflowerseed, excluding the high and low years, but not less than $0.087 nor more than $0.093 per pound. Loan rates for other oilseeds, if designated by the Secretary, set to be fair and reasonable in relation to soybeans. Oilseed loans have a 9-month term and do not have to be repaid by October 1 of each year. Producers do not have sign a 7-year contract to be eligible for oilseed and ELS cotton loans.

Loan Rate for Cotton Based on Percentage of Past Market Prices, but Cannot Exceed or Fall Below Designated Levels. Loan Rate for Rice is Set at $6.50 per cwt.

DETERMINING LOAN RATES FOR COTTON AND RICE

Upland Cotton:

Not less than the smaller of :

85 percent of the 5-year moving average of the spot market price, excluding the highest and the lowest price years, or

90 percent of the average for the 15-week period beginning July 1 of the year in which the loan rate is announced of the 5 lowest-priced growths quoted for Middling 1-3/32-inch cotton, c.i.f. northern Europe, adjusted downward by the average difference during April 15 through October 15 between the northern Europe price and the spot U.S. market price.

The loan rate cannot be less than $0.50 per pound or more than $0.5192 per pound.

ELS Cotton:

Not less than:

85 percent of the 5-year moving average of market prices, excluding the highest and the lowest price years.

The loan rate cannot exceed $0.7965 per pound.

Rice:

The loan must be set at $6.50 per cwt.

The 1990 Farm Bill set minimum levels for cotton and rice loan rates and provided that loan rates could move above those minimum levels based on market prices. No restrictions were placed on how high loan rates could move up. The 1996 Farm Bill places maximum limits on loan rates and limits the loan period to 9 months for rice and 10 months for cotton.

1996 Farm Bill Continues Marketing Loans for Grains, Oilseeds and Upland Cotton

MARKETING LOAN PROVISIONS

For All Crops, Except ELS Cotton:

The Secretary shall permit producers to repay commodity loans at the lesser of:

--the loan rate for the commodity, or
--the prevailing world market price adjusted to U.S. quality and location.

The Secretary shall prescribe by regulation a formula to determine the prevailing world market price adjusted to U.S. quality and location and a mechanism to periodically announce the prevailing world price.

In Addition For Wheat, Feed Grains And Oilseeds:

The Secretary shall also permit a producer to repay the loan at such level that will:

--minimize potential loan forfeitures
--minimize the accumulation of government stocks
--minimize government storage costs
--allow the commodity to be marketed freely and competitively

Marketing loans are not permitted for ELS cotton. The 1996 Farm Bill permits the prevailing world market price for upland cotton to be adjusted if the prevailing world market price is less than 115 percent of the loan rate and the average U.S. price for the lowest-priced growth as quoted for Middling 1-3/32-inch cotton delivered c.i.f. Northern Europe is greater than the Northern Europe price. The world price for upland cotton shall also be adjusted on the basis of the U.S. share of world exports, current export sales and shipments or other relevant information. The adjustment cannot exceed the difference between the U.S. and Northern Europe price. For all commodities for which marketing loans are available, the Secretary may make loan deficiency payments to producers who elect not to take out a loan. The additional loan repayment provisions permit loans to be repaid at the lesser of the loan rate or the domestic posted county price for wheat and feed grains or the regional posted price for oilseeds.

1996 Farm Bill Reduces the Payment Limitation From $50,000 to $40,000

PAYMENT LIMITATIONS

Annual Limit	Payments Subject to Limit
$40,000	Contract Payments, excluding additional payments that result from repaying 1995-crop advances
$50,000	Additional Contract Payments resulting from repaying 1995-crop advances (not applicable after 1997)
$75,000	Marketing Loan gains or Loan Deficiency Payments (income received from repaying a loan at less than the Loan Rate)

Contract payments, excluding additional payments that result from repaying 1995-crop advances, are subject to a $40,000 payment limitation per person. Increased payments that result from repayment of 1995-crop advances are subject to a separate $50,000 payment limitation. The 1996 Farm Bill continues the 3 entity rule, which would enable a producer to receive as much as $80,000 per year in payments, not including additional contract payments that result from repaying 1995-crop advances. Cost-share and incentive payments paid to a producer under the Environmental Quality Incentives Program (EQIP) have a separate payment limitation of $10,000 per year and $50,000 over the life of a contract.

Dairy Price Support Program is Phased Out and Secretary Required to Consolidate Federal Orders

DAIRY PROGRAM PROVISIONS

Price Support:

--marketing assessment is eliminated beginning on May 1, 1996, with refund of 1996 assessments if marketings have not increased from the previous year

--support price reduced by $0.15 per cwt. per year beginning on January 1, 1997, declining to $9.90 per cwt. on January 1, 1999

--price support provided through government purchases of butter, cheese and nonfat dry milk until January 1, 2000

--on January 1, 2000, price support program terminates and replaced with a recourse loan program for commercial processors of milk

Federal Orders:

--Federal milk marketing orders must be consolidated from the current 33 to no more than 14 or less than 10 in no more than 3 years using informal rulemaking

--Dairy Export Incentive Program is continued through 2002 at the maximum volume permitted by GATT and extended to include market development activities

--the Secretary is to assist in establishing an export trading company to facilitate the export of dairy products

Other:

--the Secretary may, upon a finding of compelling public interest in the area, grant the New England region the authority to enter into a Dairy Compact. Authority for the Compact terminates upon implementation of market order reforms.

--the processor funded Fluid Milk Promotion Program is continued through 2002

1996 Farm Bill Reduces Support and Makes Other Changes to the Peanut Program

PEANUT PROGRAM PROVISIONS

--quota support rate set at $610 per ton through 2002

--national poundage quota floor (currently 1,350,000 tons) and undermarketing provisions are eliminated

--national poundage quota based on domestic edible and related uses, excluding seed

--marketing assessment increased to 1.2 (producer contribution 0.65) percent of the national average loan rate beginning in 1997 and held there through 2002

--the Secretary is required to increase assessments to offset losses in an area quota pool

--farms receive a temporary seed quota each year through 2002

--certain entities, such as municipalities and nonproducers who live outside the State, prohibited from holding poundage quota beginning in 1997

--disaster transfer provisions limited to 70 percent of the quota support rate on a quantity not exceeding 25 percent of the farm's effective quota

--spring transfers by sale or lease for farms in a county to any owner or operator outside the county but within the same State may not exceed a total of 40 percent by the 2000 crop, phased in from 15 percent for 1996

--a producer who markets quota peanuts through the marketing association loan for 2 consecutive years and receives a written offer from a handler to purchase quota peanuts at a price at least equal to the quota support price will be ineligible for quota price support for the next marketing year

1996 Farm Bill Eliminates Marketing Allotments and Makes Other Changes to the Sugar Program

SUGAR PROGRAM PROVISIONS

--marketing allotments are terminated

--loan rates for raw cane and refined beet sugar are frozen at their 1995 levels of $0.18 and $0.229 per pound, respectively

--recourse loans are provided to processors unless imports reach 1.5 million short tons

--nonrecourse loans provided if imports reach or exceed 1.5 million tons

--a one-cent per pound penalty is assessed on forfeited sugar

--price support loans are for 9 months

--assessments on sugar processors are increased by 25 percent

1996 Farm Bill Retains the Conservation and Wetlands Reserve Programs and Authorizes the Environmental Quality Incentives Program

ENVIRONMENTAL CONSERVATION ACREAGE RESERVE PROGRAM

Environmental Conservation Acreage Reserve Program (ECARP) includes the Conservation Reserve Program (CRP), the Wetland Reserve Program (WRP), and the Environmental Quality Incentives Program (EQIP).

Conservation Reserve Program (CRP)	Authorized through the year 2002 at current level of 36.4 million acres. Except for lands that are determined to be of high environmental value, the Secretary is to allow participants to terminate any contract entered into prior to January 1, 1995, upon written notice provided the contract has been in effect for at least five years.
Wetlands Reserve Program (WRP)	Authorized through the year 2002 with maximum enrollment of 975,000 acres. One-third of new enrollments must be in permanent easements, one-third in 30-year easements or less, and one-third in wetland restoration agreements with cost sharing. At least 75,000 acres must be enrolled in other than permanent easements before any additional permanent easements are accepted.
Environmental Quality Incentives Program (EQIP)	Program funded at $130 million in FY 1996 and $200 million per year thereafter to assist crop and livestock producers. Available funds are to be evenly split between crops and livestock. Large livestock operations are ineligible for cost sharing for animal waste management. Five to 10 year contracts, based on a conservation plan, will be used to implement the program. EQIP will be phased in over the next 6 months at the end of which time the authority for Agricultural Conservation Program, Colorado River Basin Salinity Control Program, Water Quality Incentives Program, and the Great Plains Conservation Program will be terminated. Payments limited to $10,000 per year and to $50,000 over the duration of the contract.

1996 Farm Bill Allows Certain Lands to be Withdrawn from the CRP

CRP CONTRACTS ELIGIBLE FOR EARLY TERMINATION

The 1996 Farm Bill provides that certain lands enrolled in the CRP may be withdrawn before contract expiration. The following CRP contracts are not eligible for early termination:

--CRP contracts entered into after January 1, 1995

--CRP contracts entered into before January 1, 1995, but are less that five years old

--Land with an erodibility index greater than 15

--Lands devoted to useful life easements, field windbreaks, grass waterways, shallow water areas, filter strips, shelter belts and bottom land timber on wetlands

--Lands enrolled under the wetland eligibility criteria during sign-up periods eight and nine

--Lands located within an average of 100 feet of a stream or other permanent water body

Approved contract terminations on eligible land becomes effective 60 days after a producer's request is received. Prorated CRP rental payments are paid through the effective termination date. For 1996 spring planted crops, producers are permitted to plant as soon as the acreage is approved for early termination. Producers seeking to make CRP acreage eligible for 1996 contract payments must file a request to terminate by May 31. Producers terminating CRP contracts by May 31, 1996, are eligible to receive prorated rental payments and 1996 contract payments on terminated acres. Producers that terminate contracts after May 31,1996, can elect to receive either prorated CRP rental payments or contract payments.

Producers Provided More Flexibility in Meeting Conservation Compliance and Wetlands Provisions

CONSERVATION COMPLIANCE AND WETLAND PROVISIONS

Conservation Compliance:

---If a person has acted in good faith and without an intent to violate, up to one year can be provided for the person to actively apply the conservation plan for the farm.

--Provides for expedited procedures for granting temporary variances from conservation plans. A decision shall be made within 30 days after a request for a temporary variance or the temporary variance shall be considered granted.

--Allows county committees to provide appropriate relief where application of a conservation system would, after consideration of variances and exemptions, impose an undue economic hardship on the producer.

--Requires public notice of future changes in the technical standards and guidelines that effect swampbuster, conservation compliance, and CRP.

Wetland Provisions:

--Allows wetland mitigation through restoration, enhancement, or creation as long as the wetland functions and values are maintained. Wetland conversion activities authorized by Section 404 of the Clean Water Act will be accepted if adequately mitigated.

--Provides the Secretary with broad discretion for waiving penalties for ineligibility for USDA program benefits when a violation occurs and in granting time to restore wetlands converted under the good faith provisions.

--Previous wetland determinations will be certified to verify accuracy.

1996 Farm Bill Authorizes Several New Conservation Initiatives

NEW CONSERVATION INITIATIVES

Conservation Farm Option (CFO)

A pilot program is established for producers with contract acreage. Program participants must develop and implement a conservation farm plan. CFO contracts are for 10-15 years. Payments to CFO participants would be the same as the payments the producer would have received under CRP, WRP, and EQIP plus contract payments. In exchange for payments under CFO, producers must forego participation and payments under CRP, WRP, and EQIP. A total of $197 million in CCC funds are authorized for the program over FY 1997-2002.

Flood Risk Reduction

The Secretary may enter into contracts with producers who have contract acreage that is frequently flooded. Participants receive not more than 95 percent of their contract payments and projected crop insurance payments. Participants agree not to receive any contract payments, commodity loans, crop insurance, conservation program payments, or any disaster program payments on the flood risk reduction acreage.

Farmland Protection Program

Requires the Secretary to purchase easements or other interest in land with prime, unique, or other productive soils which are subject to a pending offer by State or local governments to acquire the land to protect farmland from conversion to nonagricultural uses. Provides $35 million in CCC funds for the purchase of easements or other interests on 170,000 to 340,000 acres.

Everglades Ecosystem Restoration

Provides $200 million to conduct restoration activities in the Everglades ecosystem. In addition, a special fund is set up of not more than $100 million derived from the sale of Federal property in Florida to be used for Everglades restoration.

Wildlife Habitat Incentives Program

Authorizes a total of $50 million during FY 1996-2002 to establish a program to make cost-share payments to landowners to improve wildlife habitat.

Conservation of Private Grazing Land

Requires that USDA personnel be available to provide technical assistance to owners and managers of private grazing lands. Funding of $20 million for FY 1996, $40 million for FY 1997, and $60 million for each fiscal year 1998 through 2002 is authorized.

Use of CCC

Effective January 1, 1997, the CCC Charter Act is revised to allow the use of CCC funds for conservation programs. This reduces the need for annual appropriations to carry out conservation programs.

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